



Maphumulo Local Municipality
Annual Financial Statements
for the year ended 30 June 2019

Maphumulo Local Municipality

(Registration number KZN294)

Annual Financial Statements for the year ended 30 June 2019

General Information

Mayoral committee

Mayor

Councillors

Cllr. Z.F. Khuzwayo-Dlamini
Cllr C.Z. Ncalane (ANC- Deputy Mayor)
Cllr C.S. Shange (ANC - Speaker)
Cllr P.N. Nxumalo (IFP - Exco Member)
Cllr M.H. Khoza (ANC - Councillor)
Cllr D.B Luthuli (ANC - Councillor)
Cllr T.P Mchunu (IFP - Councillor)
Cllr Z.G. Mthembu (IFP - Councillor)
Cllr M.F. Ncalane (ANC - Councillor)
Cllr N.H. Ngcobo (ANC - Councillor)
Cllr S. Nyathikazi (IFP - Councillor)
Cllr K.P. Ninela (IFP - Councillor)
Cllr. Z.W. Ninela (ANC - Councillor)
Cllr J.N. Ntuli (ANC - Councillor)
Cllr N.S. Ntuli (ANC - Councillor)
Cllr M.F. Nzuza (IFP - Councillor) (Deceased,30 April 2019)
Cllr S.Z.M. Nzuza (ANC - Councillor)
Cllr N. Sithole (IFP - Councillor)
Cllr K.M. Xhakaza (ANC - Councillor)
Cllr T.J. Zungu (IFP - Councillor)
Cllr J.M. Khathi (IFP - Councillor)
Cllr T.R. Ngema (ANC - Councillor) (February 2018 to date)
Cllr N.B. Hlongwa (ANC - Councillor) (July-August 2018)

Grading of local authority

Two

Accounting Officer

P.N. Mhlongo

Chief Finance Officer (CFO)

N. Duma

Business address

MR 711 LOT 152
Maphumulo
4470

Postal address

Private Bag X9205
Maphumulo
4470

Bankers

First National Bank
250255

Auditors

Auditor General of South Africa

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EPWP	Expanded Public Works Program
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
ASB	Accounting Standards Board

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Accounting Officer's Responsibilities and Approval

As an accounting officer I am required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is my responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

I certify that the salaries, allowances and benefits of Councillors, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or losses.

The accounting officer has reviewed the municipality's cash flow forecast for the financial year ended 30 June 2019 and current financial position, in the light of this reviews and the, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 4 to 54, which have been prepared on the going concern basis, were approved by the council on 30 August 2019 and were signed on its behalf by:

Accounting Officer
P.N. Mhlongo

Maphumulo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rands	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	2	893 885	840 457
VAT receivable	3	2 375 383	4 272 812
Prepayments	4	614 658	618 776
Receivables from non-exchange transactions	5	20 691 936	15 472 511
Accrued interest investment	6	44 861	63 583
Cash and cash equivalents	7	16 212 125	22 056 993
		40 832 848	43 325 132
Non-Current Assets			
Investment property	8	10 549 287	10 971 208
Property, plant and equipment	9	235 663 093	219 931 223
Intangible assets	10	625 369	804 348
		246 837 749	231 706 779
Total Assets		287 670 597	275 031 911
Liabilities			
Current Liabilities			
Long term borrowings	11	-	873 644
Payables from exchange transactions	12	18 374 478	23 354 696
Unspent conditional grants and receipts		10 981 071	12 591 044
Provisions	13	111 395	685 757
		29 466 944	37 505 141
Non-Current Liabilities			
Provisions	13	1 122 679	915 958
Total Liabilities		30 589 623	38 421 099
Net Assets		257 080 974	236 610 812
Accumulated surplus		257 080 974	236 610 812

* See Note 39

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rands	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Refuse removal	14	5 229	900
Trade payables written-off	15	9 391 004	-
Rental of facilities and equipment	16	962 350	766 998
Interest charged on trade and other receivable	17	1 360 102	1 029 482
Licences and permits	18	73 741	456
Other income	19	715 829	655 761
Interest received - investment	20	2 035 622	2 863 820
Total revenue from exchange transactions		14 543 877	5 317 417
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	12 920 116	15 401 260
Transfer revenue			
Government grants and subsidies	22	114 235 973	105 448 105
Total revenue from non-exchange transactions		127 156 089	120 849 365
Total revenue		141 699 966	126 166 782
Expenditure			
Employee related costs	23	(38 391 338)	(30 575 200)
Remuneration of councillors	24	(8 047 699)	(8 245 488)
Auditor's remuneration	25	(2 546 383)	(3 788 529)
Depreciation and amortisation	26	(12 602 328)	(12 758 702)
Impairment loss	27	-	(762 035)
Finance costs	28	(37 683)	(246 942)
Debt Impairment	29	781 157	(1 904 798)
Contracted services	30	(36 209 297)	(17 879 938)
Transfers and subsidies	31	(440 694)	(486 148)
General expenses	32	(23 735 538)	(24 536 414)
Total expenditure		(121 229 803)	(101 184 194)
Surplus for the year from continuing operations		20 470 163	24 982 588
Profit or loss on disposal of assets		-	101 920
Surplus for the year		20 470 163	25 084 508

* See Note 39

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Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rands	Accumulated surplus	Total net assets
Balance at 01 July 2017	214 500 236	214 500 236
Changes in net assets		
Prior year adjustment: Receivable from non-exchanged transations	(2 973 932)	(2 973 932)
Net income (losses) recognised directly in net assets	(2 973 932)	(2 973 932)
Surplus for the year	25 084 508	25 084 508
Total recognised income and expenses for the year	22 110 576	22 110 576
Total changes	22 110 576	22 110 576
Balance at 01 July 2018 (Restated)	236 610 811	236 610 811
Changes in net assets		
Surplus for the year	20 470 163	20 470 163
Total changes	20 470 163	20 470 163
Balance at 30 June 2019	257 080 974	257 080 974

* See Note 39

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Annual Financial Statements for the year ended 30 June 2019

Statement of Cash Flow

Figures in Rands	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Cash Receipts from Ratepayers, Government & Others		134 683 064	112 004 076
Interest income		2 035 622	2 863 820
		<u>136 718 686</u>	<u>114 867 896</u>
Payments			
Employee costs and councillors remuneration		(46 439 037)	(38 820 688)
Suppliers		(67 498 613)	(46 986 684)
Finance costs		(37 683)	(246 942)
		<u>(113 975 333)</u>	<u>(86 054 314)</u>
Net cash flows from operating activities	33	<u>22 743 353</u>	<u>28 813 582</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(27 731 831)	(36 731 287)
Proceeds from sale of property, plant and equipment	9	-	133 570
Increase/Decrease in Accrued Interest		17 254	(63 583)
Net cash flows from investing activities		<u>(27 714 577)</u>	<u>(36 661 300)</u>
Cash flows from financing activities			
Increase/ (Decrease) of Long term liabilities		(873 644)	(1 987 379)
Increase/ (Decrease) in Finance lease liability		-	(671 662)
Net cash flows from financing activities		<u>(873 644)</u>	<u>(2 659 041)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(5 844 868)</u>	<u>(10 506 759)</u>
Cash and cash equivalents at the beginning of the year		22 056 993	32 588 258
Cash and cash equivalents at the end of the year	7	<u>16 212 125</u>	<u>22 056 993</u>

* See Note 39

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Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rands						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	115 000	(110 000)	5 000	5 229	229	
Construction contracts	-	-	-	9 391 004	9 391 004	
Rental of facilities and equipment	864 000	134 000	998 000	962 350	(35 650)	
Interest received (trading)	1 870 000	-	1 870 000	1 360 102	(509 898)	A
Licences and permits	1 001 000	(900 000)	101 000	73 741	(27 259)	B
Other income	612 000	(242 000)	370 000	715 829	345 829	C
Interest received - investment	2 400 000	-	2 400 000	2 035 622	(364 378)	D
Total revenue from exchange transactions	6 862 000	(1 118 000)	5 744 000	14 543 877	8 799 877	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	16 298 000	(3 179 000)	13 119 000	12 920 116	(198 884)	
Transfer revenue						
Government grants & subsidies	115 177 000	2 447 000	117 624 000	114 235 973	(3 388 027)	
Total revenue from non-exchange transactions	131 475 000	(732 000)	130 743 000	127 156 089	(3 586 911)	
Total revenue	138 337 000	(1 850 000)	136 487 000	141 699 966	5 212 966	
Expenditure						
Employee Related Cost	(39 967 000)	5 210 000	(34 757 000)	(38 391 338)	(3 634 338)	E
Remuneration of councillors	(8 300 000)	(55 000)	(8 355 000)	(8 047 699)	307 301	
Auditors Remuneration	(1 980 000)	-	(1 980 000)	(2 546 383)	(566 383)	F
Depreciation and amortisation	(10 497 000)	(234 000)	(10 731 000)	(12 602 328)	(1 871 328)	G
Finance costs	(42 000)	4 000	(38 000)	(37 683)	317	
Bad debts Impairment	(883 000)	-	(883 000)	781 157	1 664 157	H
Contracted Services	(18 721 000)	(3 950 000)	(22 671 000)	(36 209 297)	(13 538 297)	I
Transfers and subsidies	(1 200 000)	-	(1 200 000)	(440 694)	759 306	J
General Expenses	(27 385 000)	(4 768 000)	(32 153 000)	(23 735 538)	8 417 462	K
Total expenditure	(108 975 000)	(3 793 000)	(112 768 000)	(121 229 803)	(8 461 803)	
Surplus before taxation	29 362 000	(5 643 000)	23 719 000	20 470 163	(3 248 837)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	29 362 000	(5 643 000)	23 719 000	20 470 163	(3 248 837)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rands

Statement of Financial Position

Assets

Current Assets

Receivables from exchange transactions	569 832	700 000	1 269 832	893 885	(375 947)
VAT receivable	1 000 000	325 000	1 325 000	2 375 383	1 050 383
Prepayments	215 000	-	215 000	614 658	399 658
Consumer debtors	17 062 000	2 438 000	19 500 000	20 691 936	1 191 936
Accrued interest investment	-	-	-	44 861	44 861
Cash and cash equivalents	24 930 000	(8 263 000)	16 667 000	16 212 193	(454 807)
	43 776 832	(4 800 000)	38 976 832	40 832 916	1 856 084

Non-Current Assets

Investment property	10 586 000	-	10 586 000	10 549 287	(36 713)
Property, plant and equipment	235 441 000	15 219 000	250 660 000	236 452 937	(14 207 063)
Intangible assets	714 000	-	714 000	625 369	(88 631)
	246 741 000	15 219 000	261 960 000	247 627 593	(14 332 407)

Total Assets

	290 517 832	10 419 000	300 936 832	288 460 509	(12 476 323)
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Liabilities

Current Liabilities

Long term borrowings	857 000	(16 000)	841 000	-	(841 000)
Payables from exchange transactions	19 419 000	2 400 000	21 819 000	18 374 478	(3 444 522)
Unspent conditional grants and receipts	8 793 000	(1 200 000)	7 593 000	10 981 071	3 388 071
Provisions	-	-	-	111 395	111 395
	29 069 000	1 184 000	30 253 000	29 466 944	(786 056)

Non-Current Liabilities

Provisions	239 000	776 000	1 015 000	1 122 679	107 679
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Total Liabilities

	29 308 000	1 960 000	31 268 000	30 589 623	(678 377)
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Net Assets

	261 209 832	8 459 000	269 668 832	257 870 886	(11 797 946)
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	261 209 832	8 459 000	269 668 832	257 870 886	(11 797 946)
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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rands

A. Interest Received (Trading)

This variance due to the fact that Public works paid rates for the year in advanced and no adjustment made during adjustment budget.

B. License and Permits

This variance is due to the fact that the new licensing department wasn't advertised properly to the community .

C. Other Income

This variance is made of the sale of municipal property which was omitted on valuation roll.

D. Interest Received Investment

This variance is due to the fact that we manage to spend all the old unspent grants which was on the investment accounts.

E. Employee Related Cost

This variance is due to the fact that municipality didn't budgeted for provision of performance bonuses hence is provided as at the end of June 2019 .

F. Auditors Remuneration

This variance is for improper budgeting

G. Depreciation and Amortisation

This variance is due to the fact that municipality acquired assets earlier than the estimated time.

H. Bad Debts Impairment

This variance is due to the fact that age analysis for the financial year reveals that; debts impairment is lower than prior year therefore we process impairment reversal.

I. Repairs and Maintenance

This variance is due to the fact that not all planned repairs were incurred during the financial year.

J. Contracted services

Contracted services was over budgeted.

K. Transfers and Subsidies

New approved indigent register did not implemented during the financial year.

L. General Expense -10% variance

General expenses was over budgeted.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. This basis presumes that funds would be available to finance future operation, the realisation of assets and settlement of liabilities, Contingent Obligations and commitments would occur in the ordinary course of business see note 40.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighing all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation penalties arising from failure to fulfil it. This unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Depreciation useful life the municipality depreciate all depreciable assets on a straight line method of depreciation over the assigned useful operating life of an assets.

Post employment benefits municipality would recognises the cost of those benefits over the period of the employee's services, consistently with accounting for other employee benefit.

Value in use cash generated assets should not be carried at amount higher than their service potential from use by the municipality unlike value in use the market value in use, a market value does not necessarily reflect the service potential of an assets.

Impairment loss should be recognised if it is considered probable that an asset is impaired i.e. if it is probable that the municipality will not recover the carrying amount of the assets (probability criterion)

Interest effective, all arrears in respect of accounts for rates and municipal services bear interest after days after due date at a rate prescribed. Accounts for rates that are billed yearly will bear interest after 60 days from the invoice or statement date.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or services or for
- Administrative purposes, or
- Sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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Accounting Policies

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations
- Land held for a currently undetermined future use (if the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);

Investment property is unrecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Investment property is subsequent at cost less accumulated depreciation and impairment of an assets over the useful life of an investment property which is 30 years. The impairment test of investment property are done on annual bases for every year.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Reserves

The municipality maintains no Reserves with exception of the Accumulated Surplus.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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Accounting Policies

1.6 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land and Buildings	Straight line	10-30 years
Plant and machinery	Straight line	10 - 55 years
Furniture and fixtures	Straight line	10-20 years
Motor vehicles	Straight line	5-15 years
Office equipment	Straight line	5-20years
IT Equipment	Straight line	3-10 year
Infrastructure	Straight line	10-50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.7 Trade and Other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at yearend. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.8 Intangible assets

An intangible asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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1.8 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long term loan	Financial asset measured at amortised cost

Class	Category
Long term loan	Financial asset measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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1.10 Statutory receivables (continued)

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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Accounting Policies

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

The defined benefit obligation, the related current cost and where applicable, pastservice, is determine by using the projected unit credit method. A portion of the actuarial gains and losses is recognized as revenue or expense, provided the net cumulative actuarial gains and losses at the end of the previopus reporting period exceed greater of.

10% of the present value of the defined benefit obligation at that date before deducting plan assets; and
10% of the fair value of the plan assets.

The portion of the actuarial gains and losses to be recognized is equal to the excess calculated, using the above limits and divided by the expected average remaining working lives of the employees participating in the plan. Unvested past service costs are recognized as an expense in the Statement of Financial Performance.

Pension, Provident, Retirement Benefits and Group Life Scheme

The municipality provides retirement benefits for its employees in the form of both defined benefit and defined contribution. The municipality is no longer providing retirement benefits for the Councillors as they are now getting a total cost to company package.

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. A defined contribution plan is a plan under which the municipality pays a fixed contribution into a separate entity. The municipality has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior period.

The contributions to fund obligations for the payment of retirement benefits are charged against the revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognized as a liability and are recovered through lump- sum payments or increased future contributions on a proportional basis to all participating municipalities.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are shown in the disclosure note to the extent that such amounts have been recorded in the financial statements.

Commitments disclosed in the notes to the financial amounts represent the aggregate amount of capital and current expenditure at the reporting date.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest earned on investments

The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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1.15 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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Accounting Policies

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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1.21 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.22 Related parties

The municipality operates in an economic sector currently dominated by municipalities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.24 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued:

Standard or Interpretation

GRAP 20: Related parties

Maphumulo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.24 Standards, amendments to standards and interpretations issued but not yet effective (continued)

GRAP 32: Service Concession Arrangements: Grantor

GRAP 105: Transfers of functions between entities under common control

GRAP 106: Transfers of functions between entities not under common control

GRAP 107: Mergers

GRAP 108: Statutory Receivables

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Figures in Rands	2019	2018
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2. Receivables from exchange transactions

Trade debtors - Rentals	1 602 887	1 852 165
Refuse	4 000	1 031
Rental Debtors Straight line	316 749	316 749
Sundry Debtors	458 155	458 155
Debts impairment	(1 487 906)	(1 787 643)
	893 885	840 457

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 5 months are not considered to be impaired. Only trade debtors (rentals) which are from 5 to 6 months due are considered to be impaired and rental debtors which are less than 5 months due are not considered to be impaired. Rental debtors due but not impaired as at 30 June 2019, R81 220 (2018: R 46 209) (these amounts is made of the different between rental debtors and the Debts impairment).

The ageing of amounts due but not impaired is as follows:

1 month past due	15 355	67 749
2 months past due	30 295	(131 020)
3 months past due	19 580	52 152
4 months past due	10 106	33 192
5 months past due	5 884	24 136
	81 220	46 209

Trade and other receivables impaired

As at 30 June 2019, trade and other receivables of R 3 902 377 (2018: R 1 833 852) were impaired and provided for.

The amount of the provision is R1 487 906 as of 30 June 2019 (2018: R1 787 643) .

The ageing of these provision is as follows:

5 to 6 months	17 487	13 737
Over 6 months	1 470 419	1 773 906
	1 487 906	1 787 643

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(1 787 643)	(1 227 761)
Impairment (charge)/ reversal	299 737	(559 882)
	(1 487 906)	(1 787 643)

No receivables have been pledged as security.

3. VAT receivable

VAT	2 375 383	4 272 812
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Mphumulo Municipality accounts for VAT on cash basis.

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4. Prepayments

AON Building Insurance Policy	137 108	143 019
SALGA Membership Fee	475 000	475 000
CIGFARO Membership Fee	2 550	757
	614 658	618 776

5. Receivables from non-exchange transactions

Gross balances

Rates	29 610 467	24 872 462
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Less: Allowance for impairment

Rates	(8 918 531)	(9 399 951)
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Net balance

Rates	20 691 936	15 472 511
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Receivables from Non Exchange past due but not impaired

Receivable from non-exchange transactions are divided into three groups of debtors which are Government debtors, Commercial debtors and Other debtors (Ingonyama Trust). Only the Commercial debtors which are due from 4 to 6 months are considered to be impaired and commercial debtors which are due for less than 3 months are not considered to be impaired. At 30 June 2019, R20 691 935 (2018: R 15 472 510) were past due but not impaired

Balance of Consumer Debtors due but not impaired

Commercial Debtors	338 798	428 156
Government Debtors	8 603 083	6 397 180
Other Debtors	11 750 054	8 647 174
	20 691 935	15 472 510

Trade and Other Receivables past due but not impaired

Current (0 -30 days)	198 986	383 052
31 - 60 days	428 823	140 677
61 - 90 days	308 837	140 677
91 - 120 days	197 852	214 862
121 - 365 days	19 557 438	14 593 243
	20 691 936	15 472 511

Commercial Debtors

Current (0 -30 days)	68 792	215 854
31 - 60 days	159 662	54 343
61 - 90 days	110 344	54 343
91 - 120 days	-	103 615
	338 798	428 155

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5. Receivables from non-exchange transactions (continued)

Government Debtors

Current (0 -30 days)	23 609	(3 750)
31 - 60 days	41 323	-
61 - 90 days	32 446	-
91 - 120 days	32 426	-
121 - 365 days	8 473 279	6 400 930
	8 603 083	6 397 180

Other Debtors (Ingonyama Trust)

Current (0 -30 days)	106 584	170 947
31 - 60 days	227 838	86 333
61 - 90 days	166 047	86 333
91 - 120 days	165 426	111 248
121 - 365 days	11 084 159	8 192 312
	11 750 054	8 647 173

The ageing of the provision is as follows

91 - 120 days	(112 844)	(103 025)
121 - 365 days	(112 956)	(105 982)
> 365 days	(8 692 731)	(9 190 944)
	(8 918 531)	(9 399 951)

Reconciliation of allowance for impairment

Balance at beginning of the year	(9 399 951)	(8 055 034)
Impairment (charge)/ reversal	481 420	(1 344 917)
	(8 918 531)	(9 399 951)

6. Accrued interest investment

ABSA- current account - 405-610-286-6	1 764	3 975
ABSA - call account - 915-984-753-2	406	370
ABSA -investment account - 929-323-815-4	42 691	59 238
	44 861	63 583

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7 808	6 236
Bank balances	1 914 589	3 105 558
Short-term Investments	14 289 796	18 945 199
	16 212 125	22 056 993

Maphumulo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

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Figures in Rands

2019

2018

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB BANK- MAIN - 620-238-6899-98	1 421 602	(57 957)	(416 874)	1 421 602	(57 957)	(559 937)
FNB BANK -INVESTMENT ACCOUNT - 710-44-3426-67	470 251	438 984	408 732	470 251	438 984	408 732
FNB BANK - INVETSMENT ACCOUNT - 741-056-039-86	2 536 483	2 373 690	2 217 492	2 536 483	2 373 690	2 217 492
FNB BANK - INVESTMENT ACCOUNT - 623-467-553-01	25 368	23 873	22 437	25 368	23 873	22 437
ABSA BANK - CURRENT ACCOUNT - 405-610-286-6	492 987	3 163 549	3 203 906	492 987	3 163 549	3 203 906
ABSA BANK - CALL ACCOUNT - 915-984-753-2	88 241	84 032	79 474	88 241	84 032	79 474
STANDARD BANK - 30 DAYS ACCOUNT - 268-693-404	1 511 608	3 316 544	6 871 771	1 490 639	3 316 544	6 871 771
NEDBANK BANK - INVESTMENT ACCOUNT 563-095--549-199-81	936 337	876 293	65 425	936 337	876 293	65 425
NEDBANKBANK - INVESTMENT ACCOUNT 56-309-554-919-997	73 345	69 101	819 563	73 345	69 101	819 563
NEDBANKBANK - INVETSMENT ACCOUNT 56-398-012-179-996	589 604	553 154	518 568	589 604	553 154	518 568
ABSA BANK-INVESTMENT ACCOUNT-929-323-815-4	7 929 796	11 088 108	10 375 312	7 929 796	11 088 108	10 375 312
FNB BANK-INVESTMENT ACCOUNT-625-756-885-13	128 763	121 421	2 923 605	128 763	121 421	2 923 605
FNB BANK-INVESTMENT ACCOUNT-716-246-118-46	-	-	5 640 694	-	-	5 640 694
FNB BANK-INVESTMENT ACCOUNT-622-075-397-95	(68)	(34)	-	-	(34)	-
Total	16 204 317	22 050 758	32 730 105	16 183 416	22 050 758	32 587 042

8. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	16 114 609	(5 565 322)	10 549 287	16 114 609	(5 143 401)	10 971 208

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	10 971 208	(421 921)	10 549 287

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Notes to the Annual Financial Statements

Figures in Rands	2019	2018
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8. Investment property (continued)

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	11 508 361	(537 153)	10 971 208
Fair value of investment properties		-	12 500 000

Fair Value measurements

The Investment Property was valued on the 30th of June 2019, this valuation has been undertaken in accordance with International Valuation Standards by BPG Mass Appraisals (Pty) Ltd. The Property legal description is Erf 358 and 359 Maphumulo ERF 1 Township which is 5 733 square metres. The market value of property is R12 200 000 (R200 000 land value and R12 000 000 building value).

Income generated from investment property	939 019	737 715
Total expenditure incurred maintaining Investment property	(791 013)	(378 016)
	148 006	359 699

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There were no assets pledged as security for the year ended 30 June 2019

9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	131 482 342	(15 922 474)	115 559 869	115 647 733	(13 035 485)	102 612 248
Plant and machinery	21 284 324	(7 673 066)	13 611 258	21 284 324	(6 315 224)	14 969 100
Furniture and fixtures	4 926 754	(3 217 663)	1 709 091	4 780 849	(2 922 543)	1 858 306
Motor vehicles	5 003 671	(3 370 904)	1 632 767	5 003 671	(1 971 334)	3 032 337
Office equipment	3 997 237	(2 128 065)	1 869 172	2 719 941	(1 721 298)	998 643
IT equipment	2 043 632	(1 167 446)	876 186	1 743 398	(879 494)	863 904
Infrastructure	144 406 811	(44 002 061)	100 404 750	134 223 024	(38 626 339)	95 596 685
Total	313 144 771	(77 481 679)	235 663 093	285 402 940	(65 471 717)	219 931 223

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rands

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Buildings	102 612 248	15 834 609	(2 886 988)	115 559 869
Plant and machinery	14 969 100	-	(1 357 842)	13 611 258
Furniture and fixtures	1 858 305	145 906	(295 120)	1 709 091
Motor vehicles	3 032 338	-	(1 399 570)	1 632 768
Office equipment	998 644	1 277 295	(406 767)	1 869 172
IT equipment	863 904	300 234	(287 952)	876 186
Infrastructure	95 596 684	10 173 787	(5 365 721)	100 404 750
	219 931 223	27 731 831	(11 999 960)	235 663 094

work - In - Progress

	Opening Balance	Additions	Completed Projects	Closing Balance
Buildings	27 545 035	15 462 303	-	43 007 338
Electrification	1 776 972	-	-	1 776 972
Infrastructure	24 649 396	10 173 787	-	34 823 183
	53 971 403	25 636 090	-	79 607 493

Repairs and maintenance undertaken on property plant and equipment during the year is as follows

Roads	1 686 700
Plant and Machinery	1 673 855
Buildings	1 320 721
Vehicle	719 795
Halls	431 554
Yard	150 900
IT equipments	71 671
Sport field	53 730
	6 108 926

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Figures in Rands

9. Property, plant and equipment (continued)

Property, plant and equipment that is being constructed but not yet completed

Included in property, plant and equipment are property that have been identified as taking significantly longer period of time to complete than expected, due to the following

Emnyameni sport complex

Not completed

Esihlahleni road

Contractor was terminated and re-advertised, new contractor has been awarded for completion of this project

Esihlahleni Bridge

Contractor was terminated and re-advertised, new contractor has been awarded for completion of this project

Coli Causeway

Contractor was terminated and re-advertised, new contractor has been awarded for completion of this project

Phakade Multi-Purpose Community Hall/Crèche

Everything is complete but we are still waiting for Eskom to connect the Electricity on the building and delay from supplier to install gates on the fence.

Nomakhaladi Multi-Purpose Community Hall/Crèche

project was waiting for AFA approval from CoGTA for contractor to go back to site and complete the remaining work.

Mzulwini Electrification

100 % completed but waiting for Eskom to sign the handover Certificates

Mvozane/Zagqayini Electrification

100 % completed but waiting for Eskom to sign the handover Certificates

Mbulwini

Project was supposed to be completed in June but the contractor has requested extension of time due to challenges on site and to be completed in July.

Vulamehlo/Nombokojwana

Construction is complete but we are still waiting for last Outage from Eskom to energize all customers

Nothwenit

Project was supposed to be completed in June but the contractor has requested extension of time due to challenges on site and to be completed in July, Eskom has also postponed the outage so we are still waiting for last outage.

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rands

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	98 979 831	7 007 815	-	5 812 644	(5 812 644)	(2 893 986)	(481 412)	102 612 248
Plant and machinery	16 451 375	86 899	-	-	-	(1 415 084)	(154 090)	14 969 100
Furniture and fixtures	2 296 865	53 400	-	-	-	(473 206)	(18 754)	1 858 305
Motor vehicles	2 686 305	936 512	(1 716)	-	-	(588 763)	-	3 032 338
Office equipment	1 307 400	105 604	-	-	-	(352 247)	(62 113)	998 644
IT equipment	712 064	502 909	(29 934)	-	-	(275 471)	(45 664)	863 904
Infrastructure	73 605 558	28 038 148	-	16 598 929	(16 598 929)	(6 047 022)	-	95 596 684
	196 039 398	36 731 287	(31 650)	22 411 573	(22 411 573)	(12 045 779)	(762 033)	219 931 223

Working - In- Progress

	Opening Balance	Additions	Completed Projects	Closing Balance
Buildings	27 135 533	6 222 146	(5 812 644)	27 545 035
Electrification	1 776 972	-	-	1 776 972
Infrastructure	13 090 377	28 157 948	(16 598 929)	24 649 396
	42 002 882	34 380 094	(22 411 573)	53 971 403

Pledged as security

There were no assets pledged as security for the year ended 30 June 2019:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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Annual Financial Statements for the year ended 30 June 2019

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Figures in Rands	2019	2018
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10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 133 927	(508 558)	625 369	1 133 927	(329 579)	804 348

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	804 348	(178 979)	625 369

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	981 556	(177 208)	804 348

11. Long Term Borrowings

Bank loan - FNB	-	873 644
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The bank loan was advanced by First National Bank for a period of 10 years commencing on 12 December 2008. An installment of R450 577.10 is payable quarterly in arrears. This loan was settled in December 2018.

The applicable interest rate was 8.8% fixed base rate and 3.9% margin rate

Current liabilities

Bank loan- FNB	-	873 644
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12. Payables from exchange transactions

Retention and Gaurantees	4 544 210	13 587 385
Trade Payables	4 624 288	2 755 171
Accrued Leave Pay	3 721 141	2 640 605
Accrued Trade Payables	2 364 276	3 389 575
Accrued Bonuses	1 108 449	842 531
Insurance received on behalf of deceased Councillor	215 000	-
Other payables	-	139 429
Indemnity	1 783	-
Housing grant	1 795 331	-
	18 374 478	23 354 696

Maphumulo Local Municipality

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13. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Long service award - short term	138 210	(26 815)	111 395
Long service award - long term	915 958	206 721	1 122 679
	1 054 168	179 906	1 234 074
Non-current liabilities	1 122 679		915 958
Current liabilities	111 395		685 757
	1 234 074		1 601 715

Long service award provision

In line with the guidelines of the Bargaining Council, the municipality remunerates its employees for the long service rendered to the municipality. The estimates of the present obligation are determined through the use of Actuarial expertise. Such estimates are reviewed annually at the end of each financial year.

The municipality offers bonuses for every 5 years of completed service from 10 to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or wholly or partially cashed. In most cases employees exercise the option to wholly convert their accumulative leave bonus days into cash.

Key assumptions (%)

• Discount rate	8.34%
• ACPI	4.53%
• Salary increase rate	5.53%
• Net discount rate	2.66%
• Mortality	SA85-90
• Normal retirement age	65

14. Refuse removal

Refuse removal	5 229	900
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15. Trade payables written off

Through detailed review and reconciliation of the trade payables retention's ledger account, prior years complete projects and confirmation with Technical department; the municipality discovered that the retention balance recorded in our books is over stated. then finance department wrote a report to council requesting the resolution to write-off the untraceable retention amount. The council approved write-off as at the end of 30 June 2019.

Trade payables written-off	9 391 004	-
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16. Rental of facilities and equipment

Premises

Rental	939 019	748 403
Hall Hire	23 331	18 595
	962 350	766 998

Maphumulo Local Municipality

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Figures in Rands	2019	2018
17. Interest charged on trade and other receivables		
Interest on receivables form non-exchange transaction	1 259 151	894 066
Interest on receivables form exchange transaction	100 950	135 416
	1 360 101	1 029 482
18. Licenses and permits		
Licences and permits	73 741	456
19. Other income		
Tender Document Sale	222 777	193 703
Sundry income	481 830	457 236
Admin Fee and Commission	11 222	4 822
	715 829	655 761
20. Interest Received - Investments		
Interest revenue		
Other financial assets (Investments)	980 630	2 206 976
Bank (Main and Current)	1 054 992	656 844
	2 035 622	2 863 820

Maphumulo Local Municipality

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Figures in Rands	2019	2018
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21. Property rates

Rates

Billings	18 023 731	20 488 650
Less: Income forgone	(5 103 615)	(5 087 390)
	12 920 116	15 401 260

Property Rates per category	Billings	Exemptions	Rebates	Total
Residential's	476 460	(190 584)	-	285 876
Commercial	1 189 450	-	-	1 189 450
Industrial	40 000	-	-	40 000
Agricultural	11 100	-	(5 550)	5 550
Rural Communal Land (CRL)	1 066 500	-	(426 600)	639 900
Institutional	15 430 805	-	(4 671 465)	10 759 340
	18 214 315	(190 584)	(5 103 615)	12 920 116

Property rates levied in terms of the Local Government : Municipal Property Rates Act No. 6 of 2004 with effect from 1 July 2009. The current valuation roll was implemented on 01 July 2014. The council approved randage for this financial year are; Commercial R0.05, Institutional and specialized property R0.05, PSI R0.03, Residential R0.03, Industrial R0.03, and Agricultural R0.03 . All institutional property receives 30% rebates and the residential properties receives R15 000 exemption.

The summary of property valuation roll category are as follows

Property Group	No of Property	Market Value
Residential	64	22 487 000
Commercial	32	40 853 000
Industrial	1	800 000
Agricultural	4	850 000
Rural Communal Land (RCL)	27	108 602 000
Institutional	142	256 692 000
Specialized Property	14	53 080 000
Public Service Infrastructure	1	720 000
Municipal Property	312	26 069 000
	597	510 153 000

Maphumulo Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rands	2019	2018
22. Government grants and subsidies		
Operating grants		
Equitable Share	81 102 000	75 259 000
Financial Management Grant (FMG)	1 900 000	1 900 000
Expanded Public Works Program (EPWP)	1 157 000	1 553 712
Library Grant	585 695	-
Sport Grant	-	393 496
	84 744 695	79 106 208
Capital grants		
Municipal Infrastructure Grant (MIG)	16 365 087	22 646 000
Corridor Development Grant	7 493 207	-
Small Town Rehabilitation Grant	4 997 837	3 695 897
CoGTA Grant - Mvozane	535 147	-
Titanium Mining Grant	100 000	-
	29 491 278	26 341 897
	114 235 973	105 448 105
Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of :		
Municipal Infrastructure Grant (MIG)	5 576 913	-
CoGTA Grant - Mvozane	4 464 853	-
Library Grant	939 305	-
Corridor Development Grant	-	7 493 207
Small Town Rehabilitation Grant	-	4 997 837
Titanium Mining Grant	-	100 000
	10 981 071	12 591 044
Financial Management Grant (FMG)		
Current-year receipts	1 900 000	1 900 000
Conditions met - transferred to revenue	(1 900 000)	(1 900 000)
	-	-
Expanded Public Works Program (EPWP)		
Balance unspent at beginning of year	-	24 712
Current-year receipts	1 157 000	1 529 000
Conditions met - transferred to revenue	(1 157 000)	(1 553 712)
	-	-
Library Grant		
Current-year receipts	1 525 000	-
Conditions met - transferred to revenue	(585 695)	-
	939 305	-
Sport Grant		
Balance unspent at beginning of year	-	393 496
Conditions met - transferred to revenue	-	(393 496)

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Figures in Rands	2019	2018
22. Government grants and subsidies (continued)		
	<u>-</u>	<u>-</u>
Municipal Infrastructure Grant (MIG)		
Current-year receipts	21 942 000	22 646 000
Conditions met - transferred to revenue	(16 365 087)	(22 646 000)
	<u>5 576 913</u>	<u>-</u>
Corridor Development Grant		
Balance unspent at beginning of year	7 493 207	7 493 207
Conditions met - transferred to revenue	(7 493 207)	-
	<u>-</u>	<u>7 493 207</u>
Small Town Rehabilitation Grant		
Balance unspent at beginning of year	4 997 837	4 997 837
Conditions met - transferred to revenue	(4 997 837)	-
	<u>-</u>	<u>4 997 837</u>
CoGTA Grant - Mvozane		
Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(535 147)	-
	<u>4 464 853</u>	<u>-</u>
Titanium Mining Grant		
Balance unspent at beginning of year	100 000	100 000
Current-year receipts	(100 000)	-
	<u>-</u>	<u>100 000</u>

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23. Employee related costs

Basic	25 666 097	23 191 512
Defined contribution plans	3 293 314	2 124 301
Bonus	1 891 816	1 445 164
Car allowance	2 835 809	1 632 120
Leave Accrued	1 614 269	429 303
Medical aid - company contributions	1 429 566	1 134 008
Overtime payments	236 572	-
SDL	329 978	200 856
Long-service awards	396 574	5 067
UIF	204 184	170 256
Cellphone Allowance	202 936	110 470
Non-Pensionable Allowance	110 950	-
Stand-By Allowance	88 077	-
Housing benefits and allowances	80 766	79 878
Membership Fees	10 430	52 265
	38 391 338	30 575 200

Remuneration of Municipal Manager

Annual Remuneration	743 433	572 345
Car Allowance	318 614	245 248
Other	-	18 207
	1 062 047	835 800

Remuneration of Municipal Manager is a annual remuneration paid to Municipal Manager: Mr.P.N Mhlongo as from July 2018 to June 2019.

Remuneration of Chief Finance Officer

Annual Remuneration	549 358	371 314
Car Allowance	235 439	159 135
Other	-	28 715
	784 797	559 164

Remuneration of Chief Financial Officer is a annual remuneration paid to CFO as from July 2018 to June 2019.

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23. Employee related costs (continued)

Remuneration of Director: Technical Services

Annual Remuneration	273 511	-
Car Allowance	117 213	-
	390 724	-

Remuneration of Technical Director is a remuneration paid to Director from October 2018 to June 2019

Remuneration of Director: Corporate Services

Annual Remuneration	549 358	422 858
Car Allowance	235 439	181 225
Other	-	11 409
	784 797	615 492

Remuneration paid to Corporate and Human Resource Director is annual remuneration paid to Director from July 2018 to June 2019.

Remuneration of Director : Community Services

Annual Remuneration	319 096	-
Car Allowance	136 756	-
Acting Allowance	15 629	-
	471 481	-

Remuneration of Community Director is a remuneration paid to Director from August to November 2018 (acting allowance) and from December 2018 to June 2019 (salary)

Remuneration of Director: Economic, Development and Planning (EDP)

Annual Remuneration	273 511	-
Car Allowance	117 213	-
	390 724	-

Remuneration of EDP Director is a remuneration paid to Director from February to June 2019.

24. Remuneration of Councillors

Mayor	858 263	814 638
Deputy Mayor	649 905	371 471
Chief Whip	301 508	377 185
Speaker	651 693	379 776
Councillors	3 583 203	4 280 339
Skills Development Levy	60 482	-
Cellphone Allowance	739 700	831 478
Travel Allowance	1 202 945	1 190 601
	8 047 699	8 245 488

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24. Remuneration of Councillors (continued)		
In-kind benefits		
The Mayor is a full time councillor and she received secretarial services and the use of a municipal vehicle paid by the municipality.		
The Deputy Mayor and Speaker received the use of municipal vehicle and municipal drivers paid for by the municipality.		
The Mayor has three full-time bodyguards paid by the municipality.		
25. Auditors Remuneration		
Auditors Remuneration	2 546 383	3 788 529
26. Depreciation and amortisation		
Property, plant and equipment	11 999 962	12 044 341
Investment property	421 921	537 153
Intangible assets	178 979	177 208
	12 600 862	12 758 702
27. Impairment of assets		
Impairments		
Property, plant and equipment	-	762 035
28. Finance costs		
Other interest paid	37 683	246 942
29. Debt impairment and Reversal		
Contributions to debt impairment provision - Receivable from exchange transactions	(299 737)	559 882
Contribution to debt impairment provision - Receivables from non-exchange transactions	(481 420)	1 344 916
	(781 157)	1 904 798
30. Contracted services		
Presented previously		
Operating Leases	442 897	-
Outsourced Services		
Catering Services	1 426 764	1 269 367
Cleaning Services	4 387 868	1 306 009
Refuse Removal	83 700	-
Security Services	5 879 036	3 561 266
Transport Services	832 438	784 102
Consultants and Professional Services		
Business and Advisory	2 189 721	1 176 611
Infrastructure and Planning	7 104 176	456 480
Legal Cost	2 747 551	1 598 962

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30. Contracted services (continued)		
Contractors		
Artists and Performers	88 365	100 000
Event Promoters	2 733 265	647 917
Interior Decorator	9 320	383 500
Maintenance of Buildings and Facilities	1 320 721	1 326 262
Maintenance of Equipment	-	84 083
Maintenance of Unspecified Assets	4 797 705	3 509 805
Stage and Sound Crew	2 165 770	1 675 574
	36 209 297	17 879 938
31. Transfers and subsidies		
Free Basic services	440 694	468 148
32. General expenses		
Advertising and communications	4 347 801	3 577 909
Bank charges	108 607	235 155
Interest and penalties	78 303	209 818
Healthy and safety	285 035	111 738
Hire charges	394 403	859 509
Insurance	672 574	489 471
Community development and training	1 562 276	2 135 141
Conferences and seminars	-	194 000
Medical expenses	7 315	29 343
Fuel and oil	3 305 696	1 779 557
Postage and courier	1 965	2 912
Printing and stationery	613 392	423 278
Software expenses	119 525	-
Bursaries	578 119	791 982
Subscriptions and membership fees	517 718	519 340
Telephone and fax	1 161 127	1 340 318
Training	898 172	726 539
Travel - local	3 685 895	3 383 351
Water and electricity	1 475 405	1 771 972
Uniforms	709 908	1 426 198
Tourism development	-	128 256
IDP Review	-	145 732
Audit committee	712 541	192 450
Waterborne sewer	-	1 167 500
Licenses	744 070	1 990 486
LED projects	1 489 789	846 897
Small Tools	265 902	57 562
	23 735 538	24 536 414

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Figures in Rands	2019	2018
33. Cash generated from operations		
Surplus	20 470 163	25 084 508
Adjustments for:		
Depreciation and amortisation	12 602 328	12 758 702
Profit on disposal of assets and liabilities	-	(101 920)
Impairment deficit	-	762 035
Debt impairment	(781 157)	1 904 798
Movements in provisions	(367 641)	552 614
Changes in working capital:		
Receivables from exchange transactions	(53 428)	173 880
Consumer debtors	(4 438 268)	(6 090 890)
Prepayments	4 118	(232 313)
Payables from exchange transactions	(4 980 218)	1 056 529
VAT	1 897 429	(2 940 256)
Unspent conditional grants and receipts	(1 609 973)	(4 114 105)
	22 743 353	28 813 582

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	62 237 082	53 755 046
• Investment property	16 029 803	8 615 315
	78 266 885	62 370 361

Total capital commitments

Already contracted for but not provided for	78 266 885	62 370 361
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Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	335 876	-
- in second to fifth year inclusive	447 834	-
	783 710	-

Operating lease payments represent rentals payable by the municipality for printing machinery. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. the municipality will pay Konica Minolta the total monthly minimum charge and additional copy or scan if any, calculated at a rate specified in the schedule without demand.

35. Fruitless and wasteful expenditure

Opening balance	817 375	56 304
Less: recoupments from prior year balance	(330 913)	-
Add: Fruitless and wasteful expenditure current year	73 310	761 071
	559 772	817 375

Reason for Fruitless and wasteful Expenditure Included in the fruitless and wasteful expenditure is R 71 896 interest charged by SARS due to the late submission of EMP 201 Returns and R1 414 booked fight ticket and the employee used own transport.

Fruitless and wasteful expenditure for the current year are not yet recoverable at the year end and are currently being investigated by the MPAC which will determine recoverability and any criminal or disciplinary steps to be taken.

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36. Irregular expenditure

Opening balance	32 186 814	29 040 685
Add: Irregular Expenditure - current year	1 062 636	3 026 690
Add: Irregular expenditure incurred in current year but identified in prior year	-	119 439
	33 249 450	32 186 814

Summary of cases for 2017/18 and 2016/17

Current year	17	19
Prior years	-	13
Total number of cases	17	32

Details of irregular expenditure – current year

Incident 1	-	-
Non compliance with section 116(2)(a) of the Municipal Finance Management Act, Act no. 56 of 2003 state that the accounting officer of the municipality must take all the reasonable steps to ensure that a contract or agreement procure through supply chain management policy of the municipality or municipal entity is properly enforced.	31 948	214 501
Incident 2	-	-
Non- compliance with section 116(1)(a) of the Municipal Finance management Act (MFMA), Act no. 56 of 2003 which states that a contract or agreement procured through the supply chain management system of municipal or municipal entity must be in writing.	648 337	-
Incident 3	-	-
Non compliance with CIDB grading	382 352	2 812 189
The municipality have not complied with the Preferential Procurement regulation 2011 which states that "A two stage tendering process may be followed, where the first stage involve functionality and minimum threshold for local production and context and the second stage price and B BBEE with the possibility of price negotiations only with the short listed tenders.		
Incident 4	-	-
The municipality have not complied with the Preferential Procurement regulation 2011 which states that "A two stage tendering process may be followed, where the first stage involve functionality and minimum threshold for local production and context and the second stage price and B BBEE with the possibility of price negotiations only with the short listed tenders.	-	119 434
	1 062 636	3 146 124

No Irregular expenditure incurred during the current year has been written off by council.

Irregular expenditure are not yet recoverable at the year end and are currently being investigated by the MPAC which will determine recoverability and any criminal or disciplinary steps to be taken.

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37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

goods and services of R1 927 990 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

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2018

38. Employee benefit obligations

Multi Employer Retirement Fund

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes

All of these aforementioned funds are multi-employer plans and are subject to either a triannual, biannual or annual actuarial valuation, details which are provided below

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers..

It is therefore seen that each fund operates as a single entity and is not divided into subfunds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions.

Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions..

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

Defined Benefit Plan

Retirement Fund

The scheme is subject to a triannual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen actuarial solutions.

The interim actuarial valuation performed as at 30 March 2018 revealed that the fund had a increase of R174.2 (31 March 2017: increase of R 144.7) million, with a funding level of 90,2% (31 March 2015: 96.1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (28.37%) should be sufficient to eradicate the shortfall in the fund by 30 June 2018. However, the basic contribution payable is 2.95% less than the required contribution rate

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 21.65% of pensionable emoluments, of which 1,65% is payable by members and 20% is payable by the local authority. This surcharge is payable until 2020. It is necessary that the basic employer contribution be increased by 15.85% to 20 % and the surcharge be increased to 17.5% and extended by a further 3 years to 30 June 2020. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 35% with effect from 1 July 2018 for a period of 8 year

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund

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38. Employee benefit obligations (continued)

Long Term Services Awards

A long term service awards is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2019 may become entitled to in future, based on an actuarial valuation performed at that date

The most recent actuarial valuations of plan assets and the present value of the unfounded defined benefit obligation were carried out as at 30 June 2019 by the One Pangaea and Solutions a member of the Actuarial Society of South Africa

A summary of the actuarial valuation results is as follows:

Key financial assumptions used for the purposes of the actuarial valuation

Discount Rate	8.4	9.18%
CPI	4.53%	5.73
Salary increase rate	5.53%	6.73%
Net effect discount rate	2.66%	2.3%

Members withdrawn from services: (Average for males and females)

	2019	2018
Age 20	24%	16%
Age 30	18%	12%
Age 40	10%	8%
Age 50	4%	4%
Age 55	2%	2%

The amounts recognised in the Statement of Financial Position were determined as follows:

	2019	2018
Present value of funded obligations	1 234 092	1 054 186

Movements in the defined benefit obligation is as follows:

	2019	2018
Balance at beginning of the year	1 054 186	1 049 101
Service Cost	111 395	138 210
Actuarial (gains)/losses	114 017	(137 858)
Interest Cost	90 530	87 412
Benefit payments	(136 036)	(82 679)
	1 234 092	1 054 186

Defined Contribution Plan

Municipal Councillors Pension Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011. The interim valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R 1 483,786 381 (30 June 2010: R 1 123,672 020) million. The contribution rate paid by the members (13.75%) and the municipalities (15.00%) is sufficient to fund the benefits accruing from the fund in the future. As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2011.

Provident Fund

The Kwa-Zulu Natal Joint Municipal Provident Fund scheme is subject to a triannual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuarial Solution.

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38. Employee benefit obligations (continued)

The interim actuarial valuation performed as at 31 March 2018 revealed that the market value of the fund was R 4 105 682. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2018.

None of the above mentioned plans are State Plans.

39. Prior period errors

During the year the following error was identified in the prior year annual financial statement

Long term Borrowings

During 2017/18 financial year municipality provided the current liabilities of Long term loan based on the amortisation schedule received from the bank. This loan was settled in December 2018, and the financial records showed that the municipality had overpaid Long term loan by R24 506. This overpayment is not actually overpayment but it is a deferent between amortisation schedule and the Bank statement which is coming from prior year. Therefore it is apparent that the long term loan were understated while the accumulated surplus understated in the prior year.

Receivables from non-exchange translations

At the end of the 2017/18 financial year the age analyses and receivable from non-exchange translations did not reconciled as per note 5 of 2018 audited AFS. The adjustment result in a decrease on the 2017/18 receivable from non-exchange translation and decrease in prior year accumulated surplus by the R2 949 426.

The correction of the error results in the following adjustments:

Statement of Financial Position	Previously reported	Adjustment	Restated 2017/18 balances
Long term loan	849 138	24 506	873 644
Receivables from non-exchange transations	18 421 937	(2 949 426)	15 472 501
	<u>19 271 075</u>	<u>(2 924 920)</u>	<u>16 346 145</u>

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40. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial performance -Extract.

	Comparative figures previously reported	Reclassificati on n	After reclassificatio n
Repairs and maintenance	4 920 150	(4 920 150)	-
General expenses:Cleaning services- Contracted services Cleaning	1 306 009	(1 306 009)	-
General Expenses: Free basic services - Transfers and Subsidies	486 148	(486 148)	-
General Expense : Consulting and professional fees - Contracted services - Busines and advisor	1 176 611	(1 176 611)	-
General Expense : Consulting and profesional fees - Contracted services : Legal cost	1 598 962	(1 598 962)	-
General Expenses: Entertainment- Contracted services :Stage and sound crew	1 675 574	(1 675 574)	-
General Expenses: Entertainment- Contracted services : ntior decoration	383 500	(383 500)	-
General Expenses: Entertainment- Contracted services :Catering	1 269 367	(1 269 367)	-
General Expenses: Entertainment- Contracted services : Transport	784 102	(784 102)	-
General expenses: security services - Contracted service : Security	3 561 266	(3 561 266)	-
General Expense : Entertainment: Contracted services: Artist and performers	100 000	(100 000)	-
General Expense : Entertainment: Contracted services :event prompters	647 917	(647 917)	-
General Expense : Entertainment: General Expense: uniform	362 539	1 063 660	1 426 199
General Expense : Electrification: Contracted services :Infrastructure and planning	456 480	(456 480)	-
	18 728 625	(17 302 426)	1 426 199

41. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	893 885	893 885
Trade and other receivables from non-exchange transactions	-	20 691 936	20 691 936
Cash and cash equivalents	16 212 125	-	16 212 125
	16 212 125	21 585 821	37 797 946

Financial liabilities

	At amortised cost	Total
Other financial liabilities	-	-
Trade and other payables from exchange transactions	893 885	893 885
	893 885	893 885

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41. Financial instruments disclosure (continued)

2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	840 646	840 646
Trade and other receivables from non-exchange transactions	-	15 472 511	15 472 511
Cash and cash equivalents	22 056 993	-	22 056 993
	22 056 993	16 313 157	38 370 150

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	840 646	840 646

42. Contingencies

Case 1.

Litigation is in the process between the municipality and Only If Management CC under the case number 10108/2013 . Plaintiff claims to have been appointed by the Municipality to do refuse removal within the Maphumulo area of jurisdiction. The claim is for R8 609 993.32

Case 2

Maphumulo Municipality / Sibgem Management & Consulting. Plaintiff claims to have been appointed by the Municipality to install electricity in wards 3, 4 and 8. The claim is for R1 864 497.11.

43. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality would be able to pay all obligation due within 12 months as listed in the face of the balance sheet..

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

44. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 257 080 974 and that the municipality's total assets exceed its liabilities by R 257 080 974.

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44. Going concern (continued)

The municipality's current liabilities are secured against the municipal current assets as it can be seen that current assets are greater than current liabilities and there is a surplus of R11 365 904 (R40 832 848 current assets less R29 466 944 current liabilities). This shows a increase compared to last financial year where was a surplus of R9 056 303.

Included in the current liabilities are unspent conditional grants of R10 981 071 that always need to be cash backed. Current Assets includes VAT receivables of R2 375 383 which would be received from SARS during next financial year, Consumer debtors include Government debtors of R8 603 083 which there is no doubt that amount would be receive during next financial year.

The going concern of the municipality might be negatively effected should any or all of its debtors fail to settle their accounts and the municipality end up relying on its cash and cash equivalents of R16 212 125 to settle the current liability of R29 466 944.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	475 000	475 000
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There is no adjustment event after reporting date.

Event After Reporting Date

Audit fees

Opening balance	22 255	-
Current year subscription / fee	3 349 582	-
Amount paid - current year	(3 370 308)	22 255
	1 529	22 255

Only R1 529 audit fee amount were outstanding at the end of the year

PAYE and UIF

Amount paid - current year	6 763 030	2 576 000
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There is no outstanding PAYE and UIF at the financial year end

Pension and Medical Aid Deductions

Amount paid - current year	6 571 251	2 553 604
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There is no outstanding Pension and Medical aid were outstanding at as at the financial year end

VAT

VAT receivable	2 375 383	4 272 812
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no Councillors in arrears for more than 90 days at any time during the year ended 30 June 2019: